Golden Dream Mining Project
Elkhorn, Montana

Operating Permit

Elkhorn Goldfields, Inc.
April 19, 2007

ELKHORN GOLDFIELDS, INC.

GOLDEN DREAM OPERATING PERMIT
ELKHORN, MONTANA

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1.0 PROJECT INTRODUCTION

Elkhorn Goldfields Inc. is seeking approval to conduct underground mining operations on our Elkhorn project near the old mining town of Elkhorn in Jefferson County. The project site is in portions of Sections 10, 11, 14, and 15 in Township 6 North, Range 3 West, Montana Principal Meridian of the United States survey. Drilling of the property conducted by both previous owners and Elkhorn Goldfields Inc. has delineated an underground recoverable ore body.

The project is located in the Elkhorn Mining District, Jefferson County, Montana, approximately 19 road miles from the town of Boulder (Figure 1). The activities will take place north of the old mining town of Elkhorn. The facilities and surface disturbance associated with the mine plan will be on private lands owned or controlled by Elkhorn Goldfields, Inc.. Although Elkhorn Goldfields Inc. does have unpatented mining claims on the Deer Lodge National Forest, impact on lands administered by the U.S. Forest Service from this program will be limited to access over four small segments of a pre-existing road, which crosses approximately 1,200 feet of Forest Service property (see Map 1). A Road Use Permit is in place for the use of this road and is on file at the Jefferson Ranger District.

The project will consist of a 500 to 1000 ton-per-day mechanized, underground mining operation with the ore being trucked using over-the-road trucks to an offsite mill for concentration. Elkhorn Goldfields Inc. expects to utilize the dormant Diamond Hill mill located in the mill building at Montana Tunnels mill facility as a custom mill. Mining disturbances will include:

- A total of three underground portals.
- A facilities area to include offices, shop and equipment areas.
- A development rock stockpile located in an existing unreclaimed mine pit.
- A loading facility for stockpiling and loading ore.
- A water system designed to dewater the ground to be mined, treat water as needed and distribute the water to a series of percolation ponds to re-introduce the water to the groundwater system.
- Roads sufficient to handle mining traffic.

Total permitted area is 382.5 acres, while the total disturbance area is limited to 27.30 acres, 13.41 acres for facilities and mining areas, and an additional 13.89 acres in pre-existing primary and secondary access routes. Specific information regarding areas of disturbance and the associated acres are given in Table 1.

Table 1: Disturbance Acres by Location

AREA	DISTURBANCE (acres)
Total Permit Area	382.5
Portal Area	2.67
North Portal Area	0.28
Saddle Facilities Area	5.37 (1.49 acres is the waste rock dump)
Loadout Area	2.20
Core Shed Area	0.69
Percolation Ponds	1.76
Mine Roads	8.68
Secondary Access Roads	5.21
Sediment Basins	0.44
Total Disturbance Area	27.30

The mine is expected to employ no more than 70 employees, and with current resources, mine life is expected to be 4 to 5 years. The barren development rock produced in the decline construction at the Golden Dream project will be utilized to reclaim the Mount Heagan open pit located in the saddle above the portal area. Non-ore rock produced after initial development will be utilized in underground backfill operations. Elkhorn Goldfields Inc. is establishing a program of training and hiring local employees for the dominant part of our workforce.

Major portions of the infrastructure required for this project have been previously permitted under Montana Department of Environmental Quality (MDEQ) Exploration License #00617, specifically the amendment for *The Golden Dream Underground Exploration and Bulk Sample Program, Elkhorn Project, Jefferson County Montana* dated December 2006. This document is attached as Appendices 1-4. Other exploration disturbances also permitted and bonded under the exploration license will remain as active.

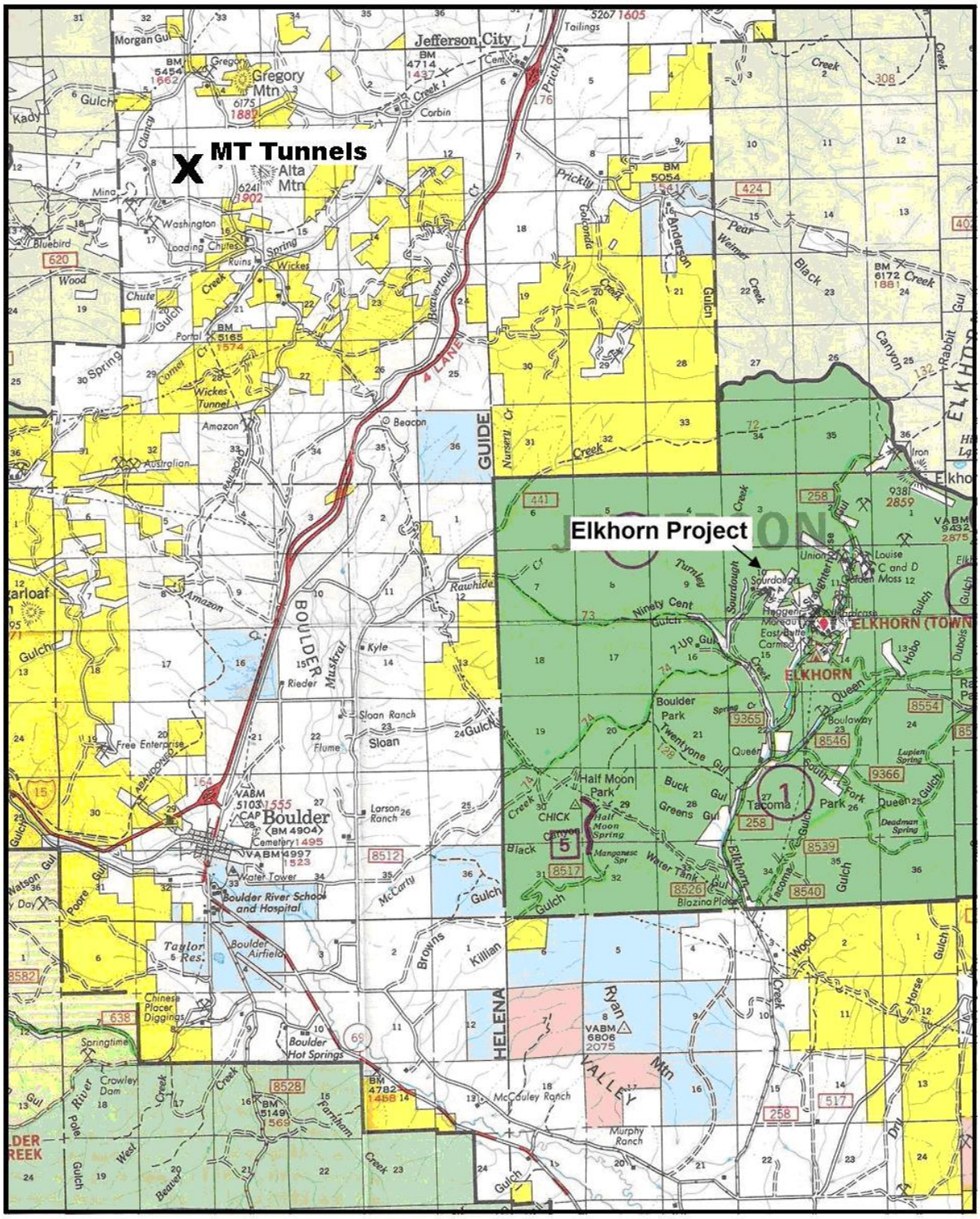

Figure 1: Location of the Elkhorn Project, Jefferson County, Montana.

2.0 EXISTING ENVIRONMENT AND BASELINE INFORMATION

2(a) Project History

The project area is delineated by a group of contiguous patented mining claims owned or controlled by Elkhorn Goldfields, Inc. (Map 1). Surrounding land ownership is primarily United States Forest Service (USFS) with smaller private lots located in the Elkhorn town site and other patented mining claims distributed throughout the mining District. Elkhorn Goldfields Inc. does have some ownership in these mining claims, but many are owned by other parties. Elevations in the project area range from 6,300 feet mean sea level (MSL) to over 7000 feet MSL with steep mountain slopes exceeding 50% at many locations in the mine disturbance area.

The Elkhorn District has a history of mining dating back to 1870's when silver was discovered on the Holter Lode Claim, (Roby et. al. 1960) at the north end of the Elkhorn Town site. The town of Elkhorn was established to service the mine and during its peak the town's population reached over 1000 people. Elkhorn currently has a few residences with the majority of those being seasonal. In addition to the silver mining, several gold mines were active throughout the early history of the District, including the East Butte Area, the Carmody Area, the Sourdough Area, and the Montana Claim. Significant mine disturbances including adits, rock dumps, tailings and prospects are common throughout the mining District.

The most recent significant mining activity occurred in the 1980's when Mt. Heagan Development Company operated a small scale cyanide leach operation under MDEQ Operating Permit #128. This operation has since been reclaimed.

In the 1980's, modern exploration began in the Elkhorn District when Gold Fields Mining Corporation initiated a drill program concentrating on the various gold mines and prospects in the District. Their drilling identified several areas of gold skarn mineralization including significant deposits in the Sourdough/Golden Dream Area, the Mt. Heagan/Gold Hill Area, the East Butte Area and the Carmody Area (Figure 2). Gold Fields Mining Corporation and subsequently Santa Fe Pacific Gold Corporation, who inherited the property through a series of exchanges, examined several alternatives for mining the deposit and had concentrated on a combination of three open pits and a small underground program to develop the deposits. Santa Fe Pacific Gold Corporation was in the process of developing this alternative when in 1996 it was purchased by Newmont Gold, Co. who decided the property did not fulfill their corporate strategy for development projects. Treminco Resources Limited then obtained the property from Newmont Gold, Co. and subsequently became Elkhorn Goldfields, Inc.

Due to changes in Montana mining law, specifically, the ban on the development of open pit mines utilizing cyanide for the recovery of precious metals, Elkhorn Goldfields, Inc. has had to redesign mine plans utilizing underground mining methods, and examine alternative milling scenarios. This redesign process included the need to more-densely drill the deposit and re-

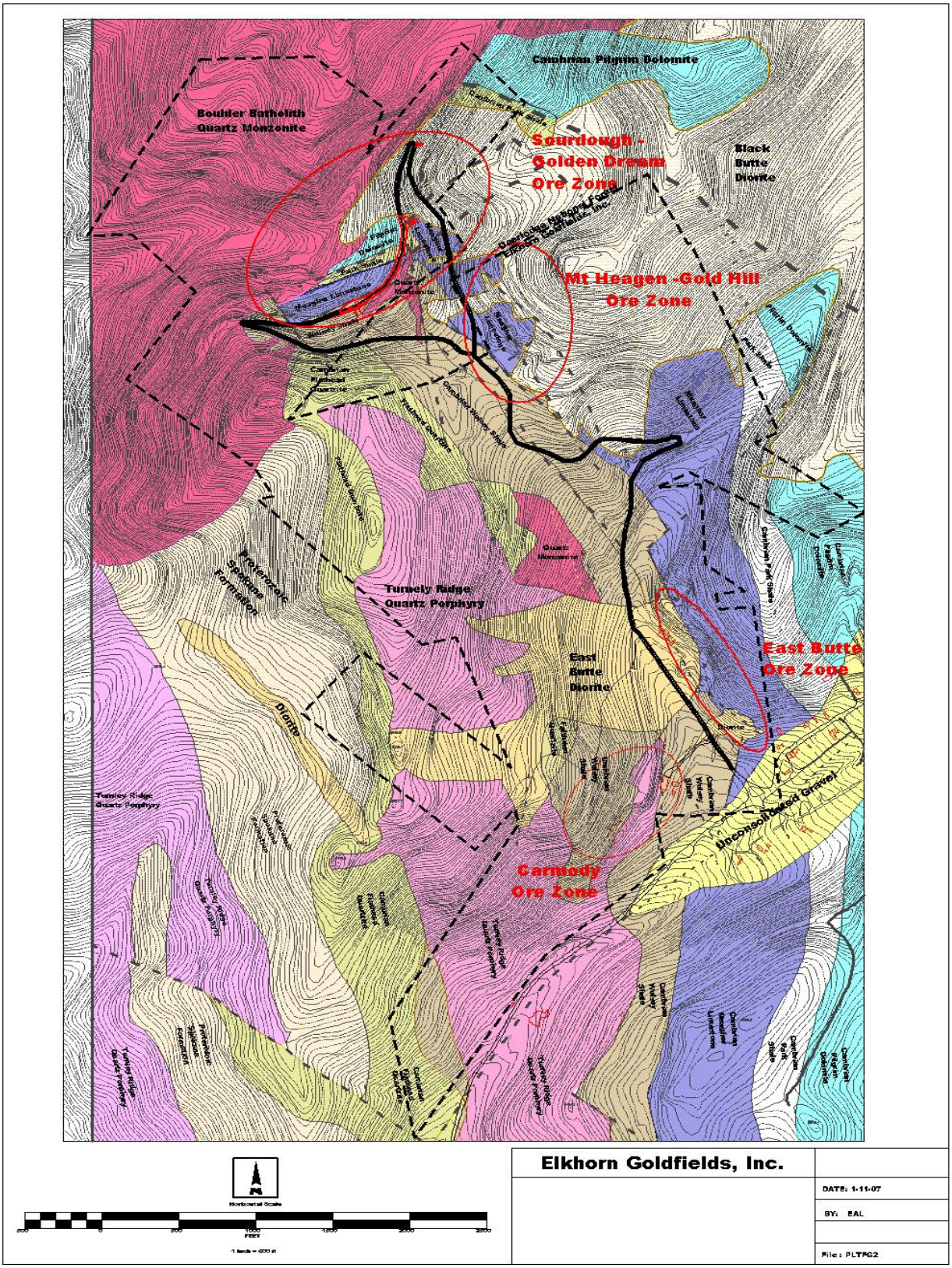

Figure 2: Project Geology and Location of Identified Ore Deposits. Also see Map 11.

examine other mine planning and environmental considerations. Our objectives in designing the project include:

- Minimizing surface disturbance and impacts to adjacent lands.
- Utilize a non-cyanide recovery process.
- Refrain from disturbing public lands.

The current mining plan only envisions mining of the Golden Dream portion of the deposit. It is possible, given the existence of significant mineralization in other zones (most notably the Gold Hill-Mt. Heagan Zone and the East Butte Zone) that mining could extend beyond this plan if economics allow (Figure 2) (For Larger Scale Map, Refer to Map 11). It is now envisioned that Elkhorn Goldfields Inc. would create mine designs for these other zones with the same strategies as the Golden Dream; underground mining with the ore being trucked to an offsite mill facility. Any additional mining beyond the scope of this plan will require a permit amendment.

Geology

The geology of the project area is comprised of a folded sequence of sedimentary rocks which have been metamorphosed and altered by igneous intrusions associated with the Boulder Batholith (Figure 2). Rock outcrops, scree and talus slides are found on slopes exceeding 50% (Hydrometrics, Soils, September 1994). Intrusions include Quartz Monzonite of the Boulder Batholith and satellite plutons of Diorite and Quartz-Feldspar Porphyry (Everson, et al. 2003).

Mineralization Styles

Mineralization in the Elkhorn Mining District is rather complex, but can general be divided into the silver-zinc replacement deposits characterized by the Elkhorn Mine that was developed in the 1870's and the gold skarn deposits that are the focus of our current activities. Gold skarn deposits are formed by the chemical interaction of intrusive rocks with the surrounding country rocks at the time of intrusion. At Elkhorn, the result of this interaction is pods, lenses, and veins of sulfide mineralization containing recoverable amounts of gold and copper. A discussion of the details of the sulfide mineralization and the geochemistry is discussed in Appendix 1 and 11. Diamond Hill is a recent example of mining in grossly similar rock types.

Surface Hydrology

Perennial streams around the mine disturbance areas are Elkhorn Creek to the south, Slaughterhouse Gulch to the east, Greyback Gulch to the north, Sourdough Gulch to the west and Turnley Creek to the south-west (See Figure 3). Precipitation is estimated at 20 to 30 inches annually with an average temperature of 38.3 degrees Fahrenheit.

Vegetation

Vegetation is predominantly coniferous forest with Douglas fir, sub-alpine fir or lodge pole pine in the forested areas. Deciduous forest, primarily cottonwood or aspen, is found along drainages at lower elevation levels. Merchantable timber on the project area has been logged within the last 3 to 7 years in forested areas (Westech, March 1995).

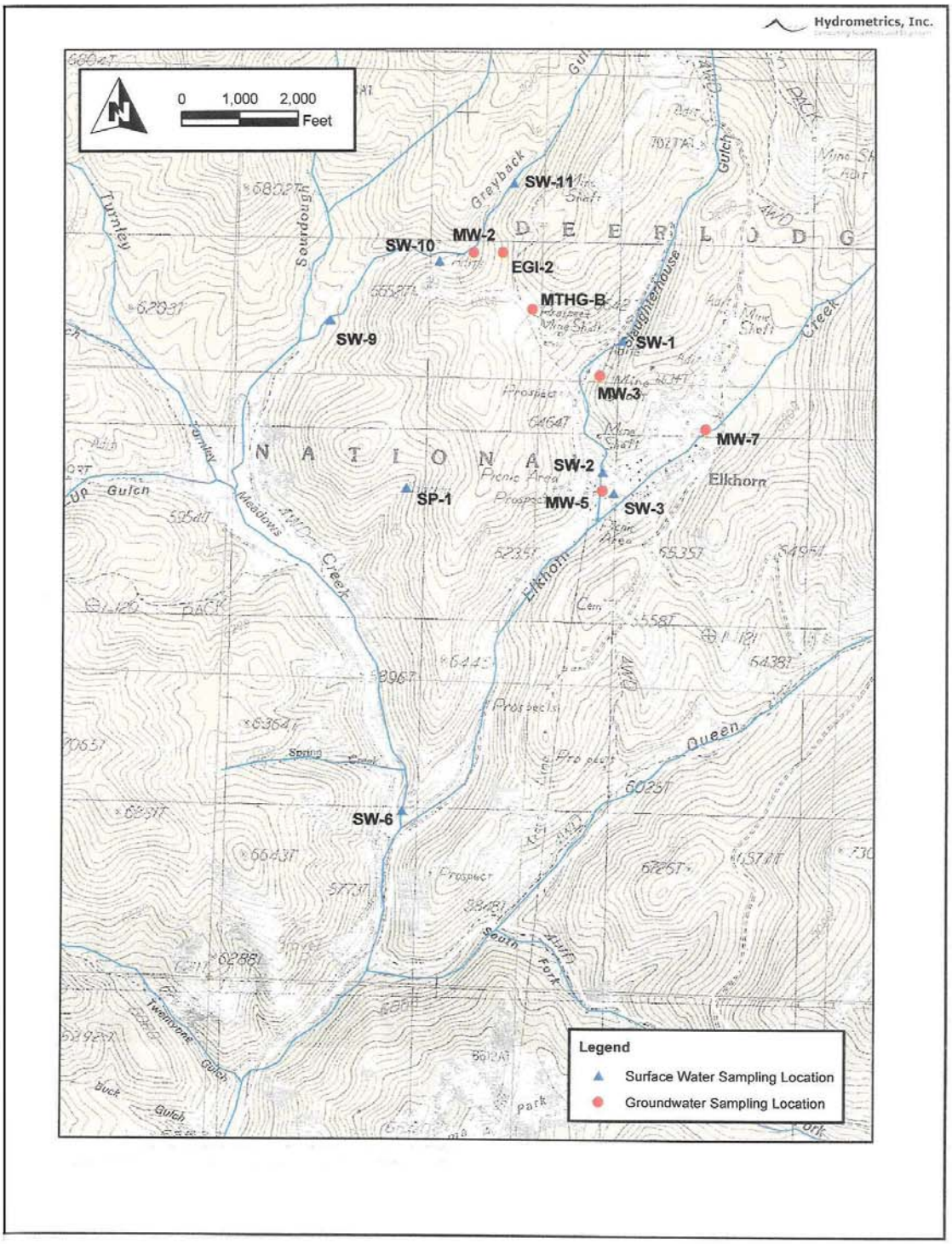

Figure 3: Surface Hydrology and Water Monitoring Stations.

Wildlife

In a 1995 wildlife baseline study conducted by Western Engineering and Technology (1995), 89 species of birds, 33 mammals, 2 reptiles were recorded by direct observation. Elk, moose and mule deer were big game species observed on or near the project area. Blue grouse and ruffed grouse were also recorded near the project area.

2(b) Baseline Information.

Numerous baseline environmental studies have been conducted since the early 1990's by previous property owners. Santa Fe Pacific Gold conducted baseline studies in soils, wildlife, fisheries, vegetation, aquatic invertebrates, cultural resources, rock geochemistry, water resources, land use, roads/recreation, socioeconomic, sound, land use and wilderness. The Santa Fe proposed project area was much larger but contained the present Elkhorn Goldfields property. These studies are contained in section **5.0 References.**

Additional baseline studies for non-ore rock geochemistry, dewatering test results, water treatment options, water resources and analysis plan and a biological resources report are included in section **6.0 Appendices**.

3.0 OPERATING PLAN

3(a) Existing Environment.

Current disturbances include:

- Pre-existing mining disturbances.
- Pre-existing roads and structures.
- Permitted and bonded surface exploration drilling disturbances.
- Permitted and bonded underground exploration disturbances.

Pre-existing mining disturbances including adits, rock piles, tailings, and small pits are distributed throughout the property as illustrated in (Map 6). In addition there is a small, reclaimed heap leach pad visible on the Park and Erichmann patented claims built under Operating Permit #128.

Pre-existing roads and structures are those that were not permitted and bonded for reclamation and were either in existence prior to initiation of exploration in the 1980's or were built on private lands for purposes other than mining or exploration.

Permitted and bonded exploration disturbances include largely roads and drill sites constructed for exploration purposes, many of these disturbances remain open for access for further

exploration uses, but are interim reclaimed (stabilized and seeded) to protect against erosion and weed infestation.

Permitted and bonded underground exploration disturbances include those in the East Butte and Golden Dream Underground Exploration plans. The East Butte plan is dated February 2001. These plans included:

- Portal construction.
- A portal facilities area.
- A mine lay down area.
- A soil stockpile.
- A bulk sample storage area.
- The partial back-filling of the historic East Butte glory hole with development rock.

Much of these facilities have been reclaimed or re-utilized for subsequent exploration. The exceptions are:

- The East Butte portal, which has been closed to access, but not reclaimed. It is hoped this access may provide additional exploration access in the future.
- The portal facilities have been transferred to the Saddle Facilities Area.
- The mine lay down and storage area is expected to be used as a truck loading area for the Golden Dream Underground Exploration Program.
- The soil stockpile remains in place for use in complete reclamation of the ore storage and loading facilities

The following facilities were permitted under the Golden Dream Underground Exploration plan Dated November 2006:

- Office/shop/dry building.
- Two diesel generators.
- Outside storage facilities.
- An equipment parking line.
- An employee parking lot.
- Water treatment plant.
- Water distribution center.
- Mt. Heagan soil stockpile.
- Development rock stockpile.
- A contingency surge pond for excess water storage.

These facilities will become the primary infrastructure for the Golden Dream Mine program. Additions necessary to maintain production are outlined in section 3(d).

3(b) Soil Salvage and Stockpiling Activities and Measures to Protect Soil from Erosion and Contamination.

Currently existing soil stockpiles contain all the soil salvaged from the East Butte and Golden Dream underground exploration projects. There are two stockpile locations, one near the Loadout Facilities Area and another near the Saddle Facilities Area (see Map 1). These stockpiles contain an estimated 5100 cubic yards of topsoil material.

Prior to any new construction on any undisturbed ground, topsoil will be collected and stored in these stockpile locations for use in reclamation. The topsoil will be temporarily re-seeded for stabilization and maintenance of soil character, and to reduce the possibility of weed infestation. Additional topsoil will be hauled into the site if needed to ensure sufficient plant life growth in reclaimed areas.

3(c) Provisions for the Prevention of Wind Erosion of All Disturbed Areas.

Due to the natural surroundings of the area, trees will be used as wind breaks to prevent wind erosion. All new construction will be seeded at the first opportunity. All disturbed areas not related to active mining and exploration will be re-contoured and reseeded as part of a concurrent reclamation plan.

3(d) The Design, Construction, and Operation of the Mine, Development Rock Disposal Facilities.

Mine Design and Construction

Map 1 includes all the facilities designed from the Golden Dream underground exploration program and those additions required for mining operations. Insets of the individual areas of activity including the Portal Area, the Saddle Facilities Area and the Loadout Area are depicted in detail in maps 2, 3, and 5 respectively. The only new construction needed for production operations to proceed are:

1) Inclusion of a concrete walls and base pad on the ore loading facility to control infiltration and runoff, and to ease loading procedures.
2) Expanding the capacity of the development rock stockpile from 44,000 cubic yards capacity to 55,000 cubic yards.
3) An additional portal for constructing a subsidiary decline on the north Golden Dream ore body.
4) Addition of a dewatering well to dewater the north Golden Dream zone, and piping necessary to move this water to the treatment area.
5) Addition of a sewage system for gray water and sewage waste generated from the Office/Dry building.

Mine Operations

Mining will commence from the exploration decline as laid out in the Golden Dream Underground Exploration amendment. The main development decline will be driven 14' wide by 14' high with muck bays as needed. Ventilation and escape way shafts and access will be built along with the decline. Ore will be accessed every forty-five to sixty feet in elevation depending on rock competency.

Two extraction methods will be used to remove the ore from underground; a cut-and-fill method will mainly be used in the oxide portion of the ore body between 6610' and about 6400' elevation. In cut-and-fill mining, ore is mined along strike driving a drift to remove ore. This cut is then back-filled with cemented fill and another cut in ore created alongside or above the back-fill. The cemented back-fill provides additional support to the country rock. (Figure 4) Utilizing this mining method in the oxidized portions of the deposit will provide a stable crown pillar that won't collapse or subside as deeper, sub-level stopes are opened.

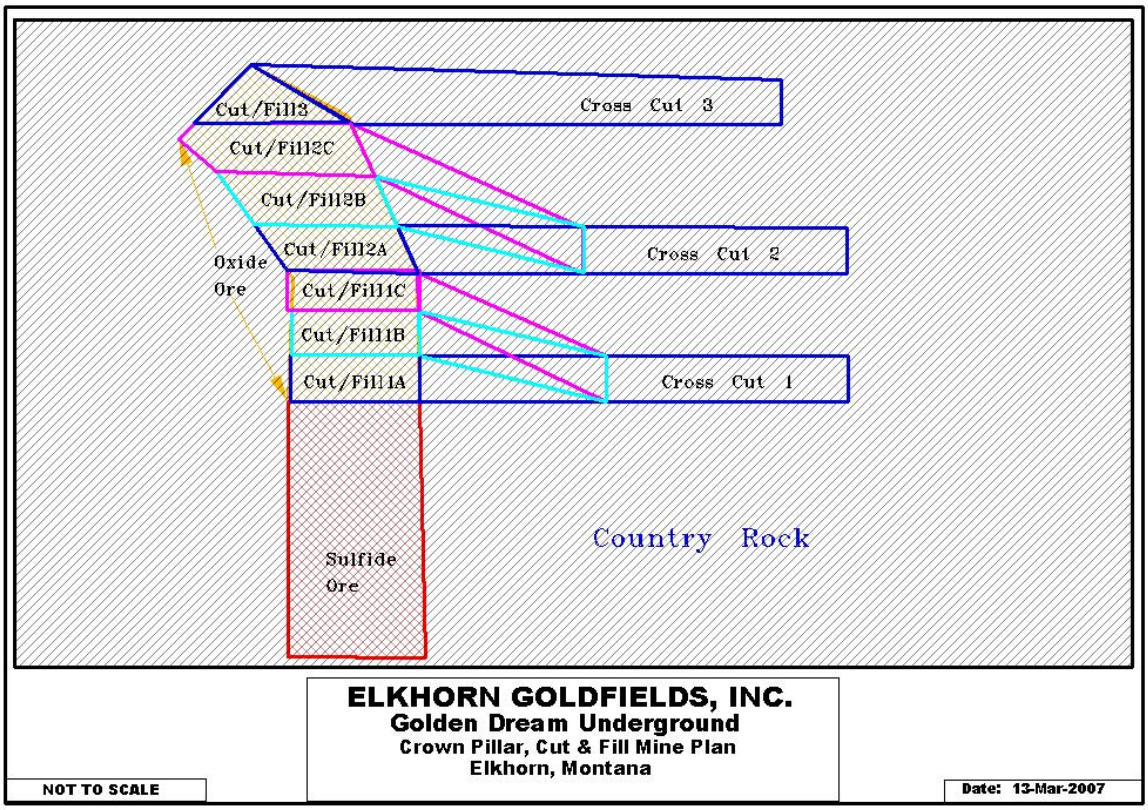

Figure 4: Schematic Cross-Section Illustrating Cut-and-Fill Mining Method.

From surface drilling, it is estimated that below the 6400' elevation, the reduced weathering has not affected rock competency. This will allow the use of a sub-level stoping mining method. In this mining method, two drifts are driven at the top and bottom of a pillar of ore forty five to sixty foot thick. Blast drill holes can them be drilled between the two levels and the ore blasted out (Figure 5). Open stopes left from this stoping will be back-filled with loose rock or

cemented back-fill if needed for ground support. Nearly all of the development rock generated by the access decline will be re-deposited in these open stopes to remove the need for surface storage.

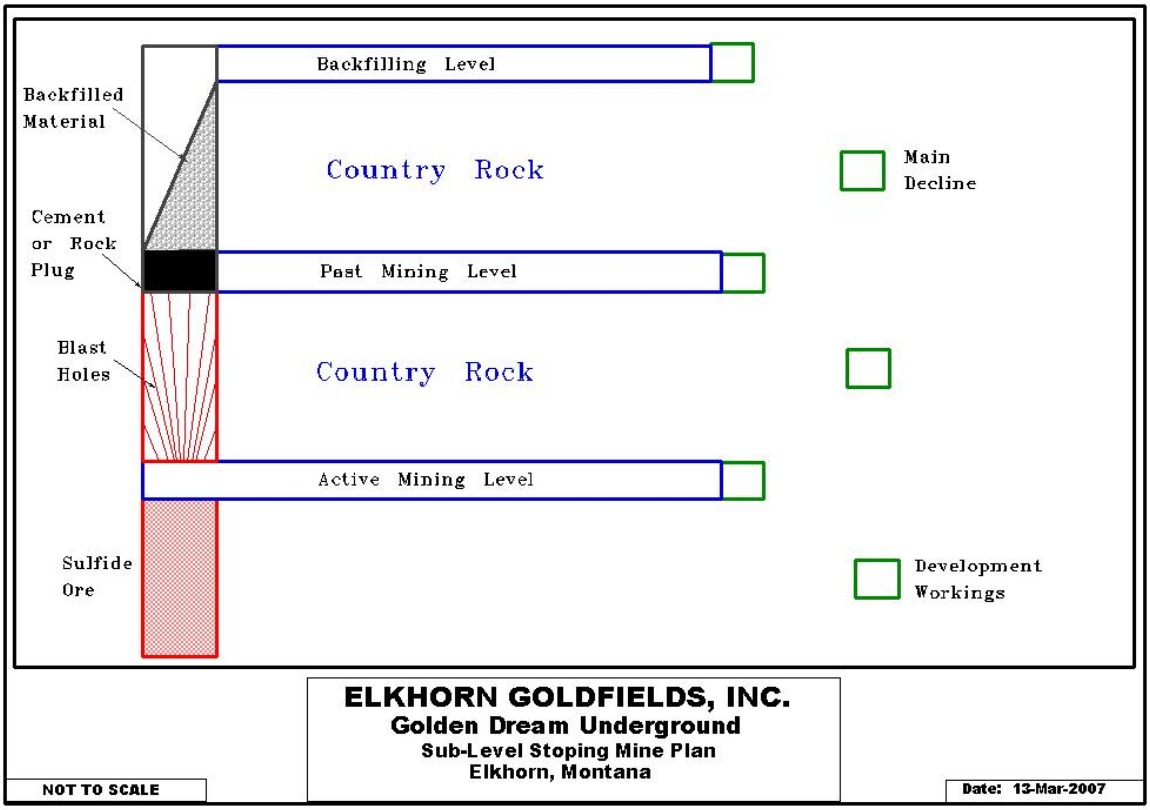

Figure 5: Schematic Cross-Section Illustrating Sub-Level Stoping Mining Method.

3(e) Facilities, Buildings, and Laydown Areas.

A complete list of the facilities needed for mining is listed below. Items marked with an asterisk (*) are items previously approved and/or constructed under the Golden Dream Underground exploration plan:

Mine portals:
Golden Dream access portal*
Golden Dream ventilation portal*
North Golden Dream portal

Dewatering Wells:
PW-2*
PW-4*
PW-5

Facilities:
Office/dry/shop/fueling building on concrete pad*
Line power
Fenced storage area*
Parking area*
Equipment park*
Water treatment plant*
Water distribution network*
Dewatering storage pond*
Percolation ponds*
Development rock stockpile*
Truck loading facility*
Soil stockpiles*
Core shed*

Roads:
Saddle facilities road (County road to Saddle Facilities Area)*
Mine access road (Saddle Facilities Area to Portals)*
Secondary administrative roads*

3(f) The Proposed Date for Commencement of Mining the Minerals to be Mined, and a Proposed Conceptual Life of Mine.

Mine operations is expected to start immediately upon approval by the MDEQ and will take 4 to 5 years to complete, though additional underground resources may be identified as the mine deepens and allows drilling beyond the depth of surface drills. As suggested, it is possible that other underground mineable deposits may be identified in different zones on the property. Any such activity would require amendments to the permit, but Elkhorn Goldfields Inc. expects to complete mining at the Golden Dream deposit prior to mining at additional locations.

The Golden Dream deposit is predominantly gold with a by-product copper, however, gold represents over 90% of the value of the ore. It is possible that some credit for silver may also be obtained from the smelter.

3(g) Designs of Diversions, Impoundments, and Sediment Control Structures to be Constructed Reflecting Their Safety, Utility, and Stability.

Dewatering Storage Pond
As a contingency for unexpected surges in water above the capacity of the water treatment system a Dewatering Storage Pond has been designed at a location near the Saddle Facilities Area (see Maps 1 and 4)

As designed, the pond will be 1.97 acre-feet, including one foot of free board and will be rectangular in shape, 150' long, 50' wide and 20' deep. The sides of the pond will slope 1:1 leaving the bottom of the pond with dimensions of 110' X 10'. An industry standard pond liner will be used to prevent water infiltration into the ground. The liner will cover the bottom and sides of the pond. At the top, the pond liner will be keyed into the bank material to prevent liner slippage. A spillway will be constructed near the top of the pond allowing one foot of free board on the pond to insure pond integrity in case of an unexpected overflow situation. The spillway design is located in section 4e.

Storm Water Diversions

Storm water will be managed as part of the Storm Water Pollution Prevention Plan submitted to the MDEQ and will be included in Appendix 6mwhen approved. In no case will water be allowed to rill or erode, or flow directly into any surface water (see Map 7). See Map 7A for stormwater drainage details in the Saddle Area.

Data was taken from a NOAA Atlas, Isopluvial map. The data shows the Elkhorn property receives 2.0" to 2.4" of rain in a 10 year, 24 hour event. In order to find a correct CN value (soils values) for the property, the attached soils document was revisited. This document states that soils on the property fall into the B,C and D categories. An average of all the soils was used to produce a CN value of 84 for "poor" ground conditions and 95 for "hard pack ground" for infiltration. From this, S and Q values were calculated to find the anticipated runoff to each sediment basin. Q was found to equal 0.121' in a 10 year, 24 hour event for the Elkhorn site. Sediment basins have been designed to facilitate this storm event. The description of water flow to the basins and basin design is included in the Table 2 below. Each sediment basin is designed to include one foot of free board.

Table 2: Sediment Basin Designs

Sediment Basin	Estimated Rainfall Flow to Basin (ft^3)	Sediment Basin Size in (ft^3)	Sediment Basin Size in (acre-feet)
1	5,852	6,400	0.15
2	10,228	11,200	0.26
3	5,746	6,400	0.15
4	9,268	10,400	0.24
5	8,418	9,000	0.21
6	2,501	2,800	0.06
7	3,409	3,750	0.09
8	5,931	6,400	0.15
9	2,203	2,400	0.06
10	11,596	12,800	0.29
11	3,637	4,000	0.09
12	1,332	1,500	0.03

The core shed area will be re-graded to ensure proper drainage away from facilities to sediment basin 11. Water will be kept in roadway ditches, which will carry the water to the sediment basin. Berms will be in place on the outside edge of the roadway for safety, as well as isolate

the runoff to the ditch along the road. A pipe or culvert will be used or the berm will be cut in the case where water will need to cross the road to enter the sediment basin. Sediment basin 11 is specifically designed for the core shed area only and will be large enough to contain the estimated runoff from a 10 year, 24 hour rain event. Sediment basin 11 will be located away from the facilities in a manageable area and will be 10 feet deep, 20 feet long and 20 feet wide. (Map 7).

As previously mentioned, the ore Loadout area will be constructed as a cement pad. When stormwater runoff collects on this pad, the water will be pumped into a water truck and will be delivered to and offloaded at the water treatment plant. Stormwater that lands off the pad will be directed to sediment basin 10 (Map 7B). Water collected in this basin as stormwater will be allowed to settle and infiltrate or evaporate. If this water becomes deemed as mine drainage, it will also be pumped into a water truck and delivered to the water treatment plant. \

3(h) Location of Access, Haul, and Other Support Roads and Provisions for Their Construction and Maintenance.

County Road

In preparation for mining, an agreement was reached with Jefferson County on the use and maintenance of the roads to be utilized for transporting ore. This agreement is attached as Appendix 8. Figure 6 illustrates the route taken by the Over-The-Road trucks to the Montana Tunnels mill.

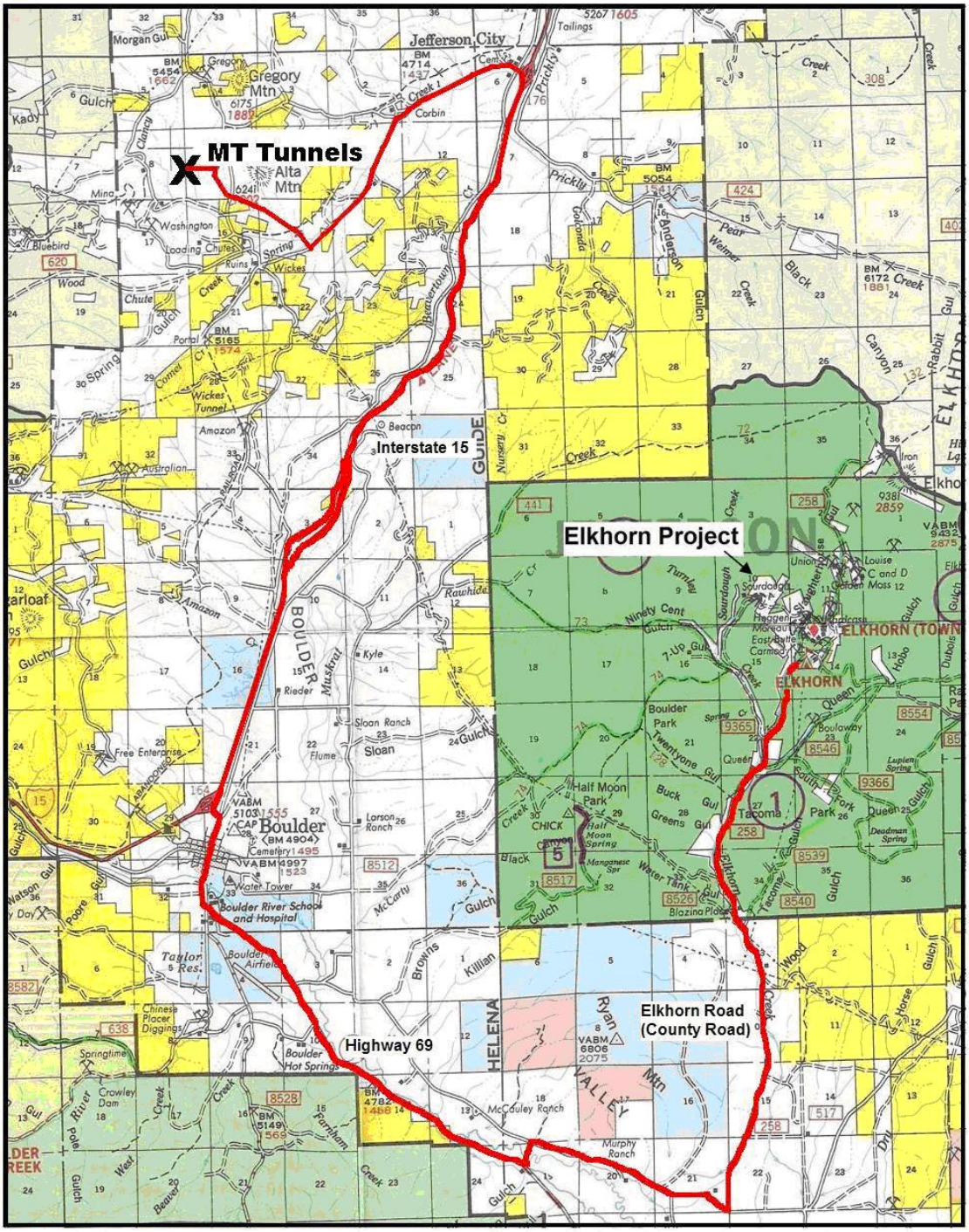

Figure 6: Proposed Route for Over-the-Road Haul Trucks from Elkhorn to Montana Tunnels.

Mine Site Property Access Road

The roads on the project site utilized for mining have not changed from the Golden Dream Underground Exploration plan. No additions or changes are planned.

Access to the project site currently uses existing historic property roads. The access roads on the Elkhorn Goldfields Inc. property are widened with ditches and berms constructed to allow safe travel by on and off road equipment. Ditches will be maintained using surface equipment, such as a grader. Ditches will need to contain 3.75" of rainfall, therefore, be 16" deep and will be a "V" cut type ditch. This depth will suffice for a 10 year, 24 hour rainfall event.

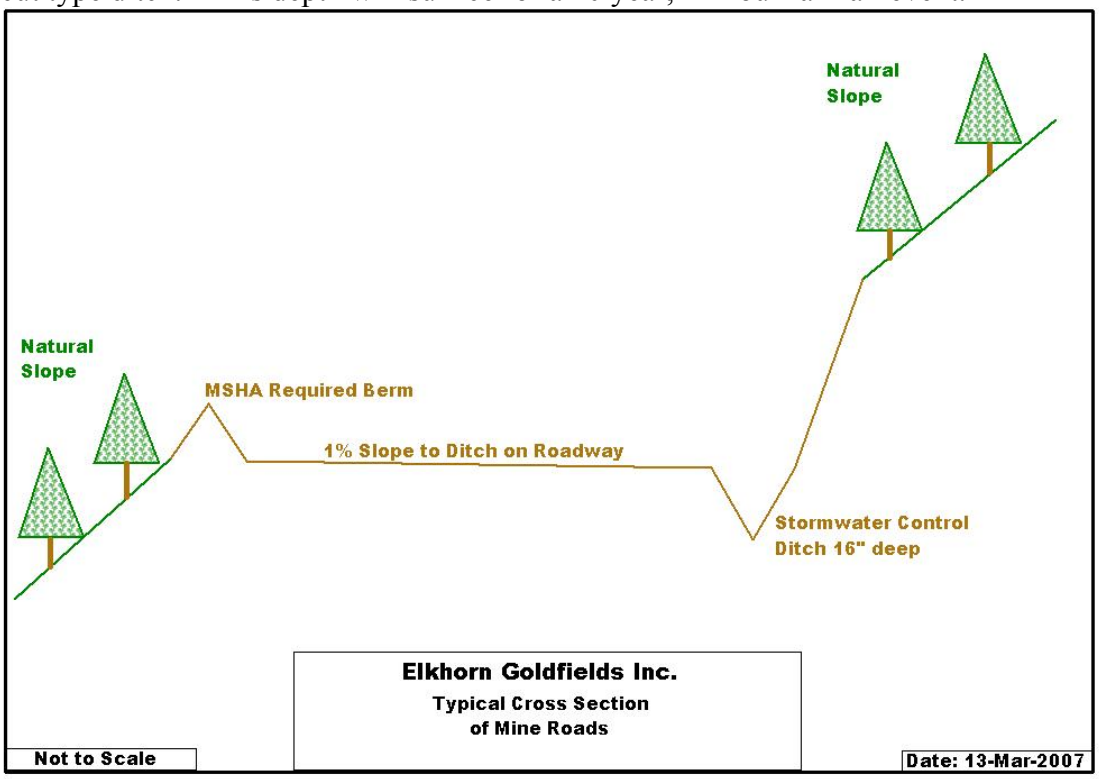

Figure 7: Schematic Cross-Section of Typical Mine Road with Stormwater Control Ditch.

The road on the property from the public county road to the Saddle Facilities Area is a single travel lane with pullouts. In addition to a fifteen foot running surface, there is about a twelve feet for a safety berm. Therefore the overall road width is twenty-seven feet. This road also has pullouts large enough for trucks to pass.

Access to the Saddle Facilities Area and Portal Area is restricted to mine personnel and contractors for public safety.

The Portal Access Road from the Saddle Facilities Area to the portals is constructed as a single lane, one-way loop with a fifteen foot running surface and twelve-foot berm area (see Map 1 and Map 2). This road was constructed for primary property access and the previous access routes

were recontoured and re-vegetated. After mining, this road will be narrowed to a ten foot running width and left in place as property access.

Secondary Administrative Roads

The secondary roads on the site will be utilized for managing water flow to percolation ponds, and other mining functions. Traffic on these roads will be restricted to light vehicles and only such equipment necessary to build, maintain, and reclaim the percolation pond and piping network. These routes already exist as permitted and bonded drill access roads.

3(i) The Source and Volume of Incoming Ore, Tailings, or Waste Rock.

After the beginning of production, mined out areas will be back-filled with rock being generated by development construction. It is estimated only 11,000 additional yards of development rock will need to be placed in the rock stockpile. Small stockpiles of material may be stored on a short term basis in unused underground workings or on the portal pads waiting for areas to open for back-filling. Therefore, most if not all of the acid producing waste rock will be placed underground.

During construction of the stockpile, Acid Base Account (ABA) testing will be conducted on the rock removed from underground. Records of these tests as well as calculations will be kept on site throughout the construction phase of the stockpile and will be used at the end of construction to determine the appropriate liner. In the case where the records indicate the Net Neutralizing Potential (NNP) is equal to or greater than +20, the stockpile will be reclaimed as described later in section 4d and 4m. If the NNP is less than +20, a High Density Polyethylene (HDPE) liner approved by the MDEQ will be used to cover the entire stockpile after re-sloping.

Barren Rock Handling

There are five dominant rock types that will be intercepted during development drifting; quartz monzonite, marble garnet and pyroxene hornfels, diorite, and diorite endoskarn. Below the permitted bulk sample decline development will consist of nearly all quartz monzonite rock. Development of the north area decline will include large areas of marble, which has significant buffering capacity. The quartz monzonite and diorite are characterized by low levels of sulfide sulfur, but calculated NNP ratios near zero, indicating very little buffering capacity. The hornfels sediments also have very little sulfur, but do have a moderate amount of buffering capacity. The diorite endoskarn has variable amounts of calc-silcate minerals, including calcite and dolomite, but also some variable amounts of pyrite and pyrrhotite. All of these rock types have been seriously oxidized in the area above the water table at about 6465’ elevation, and have more buffering capacity and less sulfide sulfur remaining in the oxidized zones.

However, both the mineralized ore rocks and some of the rocks in close proximity to ore at the Golden Dream deposit are very high in sulfides and in associated metals. In addition, it is possible that decline development may intercept areas of sulfides not identified in drilling.

In order to avoid acid generation problems that might occur with mixing of these rock types, the following procedures will be utilized with the barren rock at the Golden Dream mining project:

1) Immediately after mine openings are available all development rock will be backfilled in mine openings.
2) All rock being stockpiled on the surface will be analyzed utilizing a modified Sobek technique, and acid generation potential (AGP), neutralizing potential (NP) and Net Neutralizing Potential (NNP) calculated for each.
3) Waste rock with significant sulfides will be moved to the center of the rock pile. Clean waste will be placed around the sulfide rock.
4) The data gathered will be recorded on a map/database for use as geochemical information for future permitting needs.
5) As each of the rock types are intercepted underground in fresh condition, a kinetic barrel test will be established to monitor leachate water quality.
6) Rock stockpile reclamation plans as outlined in sections 3i, 4d and 4m will be followed.

3(j) The Equipment and Chemicals to be Used in the Operation by Location and Task.

A complete list of equipment necessary for completion of operations is found in Table 3 below:

Table 3: Equipment List

Equipment Name	Units	Location
Power Line	1	Saddle Facilities area
Backup Generator	1	Saddle Facilities area
Underground Haul Trucks 30 tons	6	Mobile UG Equipment
Load Haul dump - six yard	2	Mobile UG Equipment
Load Haul dump - nine yard	1	Mobile UG Equipment
2-boom Jumbo, Diesel-Electric	2	Mobile UG Equipment
1 boom bolter, Diesel-Electric	2	Mobile UG Equipment
Powder Truck	1	Mobile UG Equipment
Shotcrete Mix truck	1	Mobile UG Equipment
Underground Drill, Electric	1	Mobile UG Equipment
Ring Drill, Diesel-Electric	1	Mobile UG Equipment
Underground Service truck, Diesel	1	Mobile UG Equipment
Surface Diamond drill, Diesel	1	Mobile surface equipment
Fork Truck	1	Mobile UG Equipment
Kabota type Tractor	1	Mobile UG Equipment
Scissor Deck	1	Mobile UG Equipment
Man Carrier	1	Mobile UG Equipment
Bulldozer	1	Mobile surface equipment
Front End Loader/Excavator	1	Mobile surface equipment
Grader	1	Mobile surface & UG equipment
Backhoe	1	Mobile surface equipment
Light Vehicles	14	Mobile surface & UG equipment
Ventilation fan	1	Near portal of ventilation drift
Water Truck	2	Mobile surface * UG equipment
Over-the-Road trucks 30 ton	9	Offsite
Misc. – Compressors, load centers, small vent fans, pumps, etc.	Various	Primarily UG equipment

Table 4 below is a list of chemicals that will be used on site:

Table 4: On-site Chemical List

Chemical	Use	Storage Area
Diesel Fuel	Mobile & stationary equipment	Saddle Facilities Area
Explosives	Blasting	Magazines
Lubricants	Equipment maintenance & operations	Saddle Facilities Area
Drilling Fluids	Rock Drilling	Core Shed

Other Equipment

On occasion, contract equipment such as graders, track hoes and dozers will be on the mine site for surface maintenance of roadways, stockpile locations, the portal patio and parking lots. Contracted equipment will also be used at times for any new construction that may be needed. A shotcrete contractor and equipment will be used for ground support in the underground declines when necessary. As of now, it is planned that the shotcrete contractor will be on-site constantly for the first six months and then once every three months after that.

3(k) General Chemical Processes and the Purpose, Amount, and Source of Water Used in the Operation and the Disposition of Any Process Waste Water or Solutions.

Mine Dewatering

Appendix 2 and Appendix 5 contain reports generated during two pump tests of the aquifer near the ore body that were completed in 2005 and 2006. From these pump tests, it was calculated that by pumping from the two wells at an average rate of 50 to 100gpm, on a continuous basis, we should be able to achieve the drawdown required to mine the ore body. Earlier estimates ranged from 125 gpm to 175 gpm. These two wells will be pumped to dewater the main mine workings during production. An additional well will be required to de-water the North Golden Dream ore zone (see Maps 1 and 2). This proposed well is marked as PW-5.

Water quality of the dewatering well is good with the exception of arsenic, which was found in concentrations of 25 to 26 ug/l. Water pumped from the aquifer will be treated to remove arsenic prior to reintroduction into the groundwater system. Water discharged from the treatment plant to the percolation ponds will be equal to or less than 10 ppm.

The PW-3 and PW-4 wells are located in the Portal Patio Area. Some water will be pumped from the dewatering wells into the mine for use in drilling, dust control, muck wash-down, etc., when needed. The rest of the water will report to the Saddle Facilities Area water treatment system for arsenic removal, and then pumped to a distribution center. The distribution center will distribute the water to one or more of several percolation ponds located throughout the property (Figure 8).

During mining activities the dewatering system will have the water table drawn down below the active mining level. Should there be a surge in the amount of groundwater inflow, or an isolated, water-filled fracture be intercepted, the mine has the following available storage:

- Dewatering wells can be stopped for a period allowing the aquifer below the workings to re-charge while water is pumped and treated from the workings only.

- Underground sumps required for mining and water control will be available for storage in the amount of 12,500 cubic yards.

- The decline can be allowed to flood. Prior to flooding all equipment and electrical facilities, explosives etc. can be removed and the working allowed to flood to the static water level.

Also, the treatment system is designed to accommodate 300 gpm, well above the expected average inflow, which should allow any excess or surge water to be treated and disposed in a timely manner.

In addition, as a contingency, we have designed a surge pond, located south of the saddle facilities area just below the parking lot. Storage volume for the pond as designed is 86,000 cubic feet, which should be adequate to store a flow of 500 gpm for 21 hours.

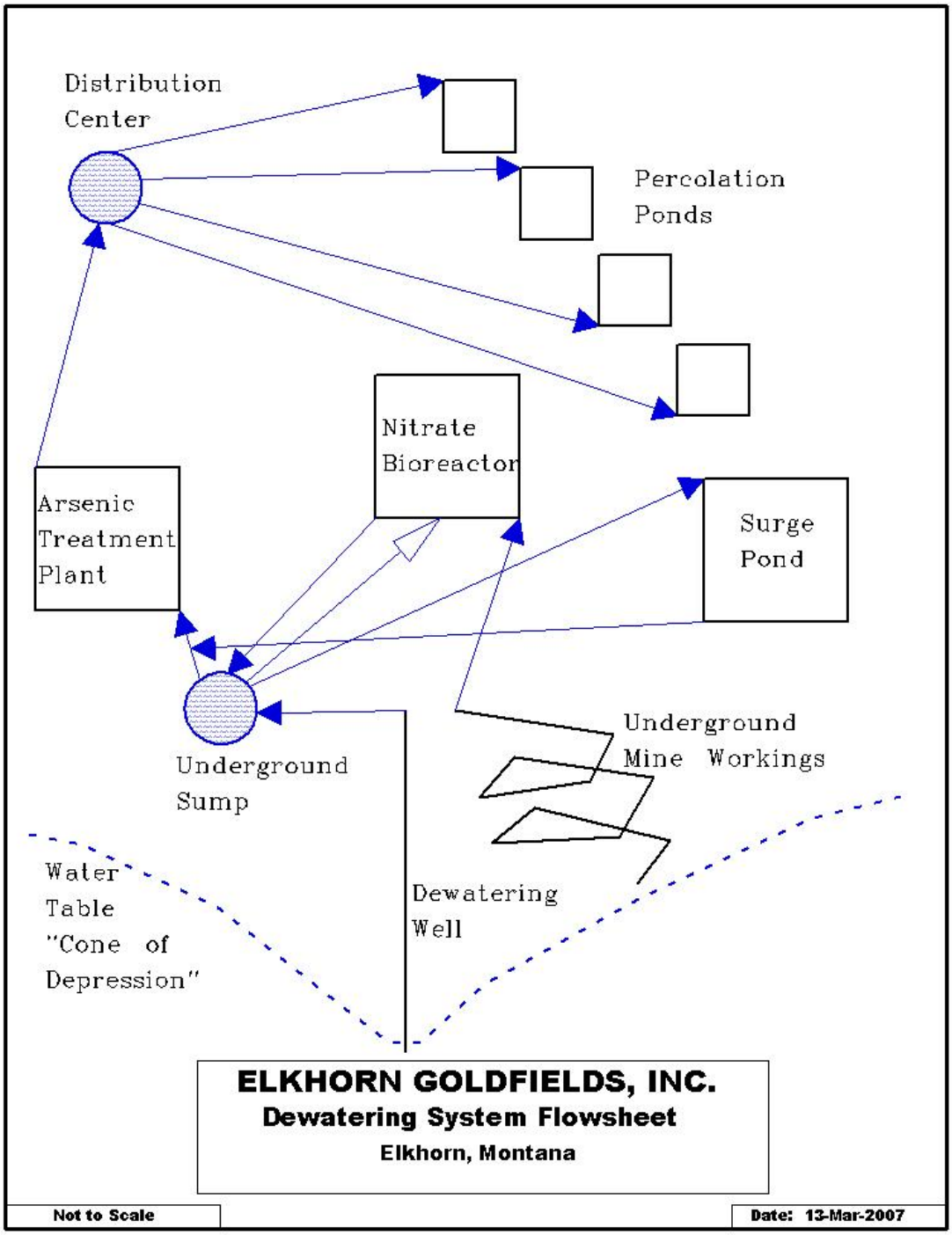

Figure 8: Schematic of Water Pumping, Treatment and Percolation System.

The water will be routed so that it can be pumped from the dewatering system and the underground workings and stored in the pond. Water in the pond can then be returned to the treatment system prior to being returned to the groundwater aquifer via the distribution system.

The arsenic treatment system will be a skid-mounted system utilizing adsorptive media technology. The media will be a ferric oxide or ferric hydroxide product that is proven commercially capable of treating arsenic to less than regulatory levels. No additional chemicals are required, and when loaded, the spent media can be disposed of as an ordinary solid waste (See Appendix 3). The designed flow-rate for the system will be for a maximum of 300 gpm with an expected average rate of about 150 gpm. Any untreated water surges that exceed the peak flow rate of 300 gpm can be managed within the storage capacity of the dewatering system.

To prevent possible failures of the treatment systems due to preferential flow or surface plugging within the treatment chamber, the units will be equipped with differential pressure (ΔP) switches to continuously monitor the pressure drop across the beds over time. The clean bed operating pressure is usually about 10 psi. When the ΔP on either adsorber exceeds the high ΔP set point (normally 20 psi), that adsorber is automatically taken off line and backwashed using well water or treated effluent. After the 12 minute backwash, the adsorber is returned to service. During the backwash period, flow will continue through the other "on line" treatment unit. In the event the media filters do not go through a backwash due to surface plugging, each adsorber will be manually taken out of service (one at a time) for backwashing once every 1 to 3 months (depending upon the feed water quality) to "fluff" or expand the compacted media bed.

The media are backwashed primarily to flush out any accumulated suspended solids. The backwash water will be diverted to a storage sump and allowed to settle. After the system is installed this backwash water will be tested to see if it meets discharge standards. If it does, it will be sent directly to the groundwater reintroduction system, if not, it will be re-routed through the treatment system prior to groundwater reintroduction.

Water removed from the underground workings will need to be sent to the treatment system prior to being sent to the percolation ponds. It is estimated that some nitrate removal may be required for water coming from the active workings. Therefore a nitrate consuming bioreactor will be installed as mining begins.

Prior to being removed from the mine, any hydrocarbons will also be removed from the water by skimming with oil absorbent materials, or other oil–water separation options. Water that reaches the pre-treatment tank will be treated for hydrocarbons. Water reporting to percolation ponds as discharge will contain no more than 10 mg/l of hydrocarbons. Sampling for hydrocarbons will be conducted in April and October each year and will be collected at the percolation pond receiving discharge.

The percolation ponds (Map 9) are designed to be about 20' x 40' and dug until the soil-bedrock interface is reached. The bottom third of the pond will then be filled with washed gravel. Lining will be placed on the sides of the ponds to prevent the soil rilling into the pond. Fencing will surround the pond to prevent ingress by either humans or animals. Water will be pumped into the ponds at a rate and for such a time period as to let the pond naturally percolate the water back into the groundwater system.

Preliminary estimates of percolation range from 10 to 140 ft per day (See Appendix 5: 2006 dewatering test) based on test pits already measured. We will test the percolation rate at each

pond location and calculate the amount that might be discharged into each pit prior to pumping and submit that data to the MDEQ. At startup of pumping, the initial flow into each pit will be measured and monitored to ensure the pit is operating as designed. Percolation ponds will be completely constructed and tested before the underground decline reaches the water table.

Piping to the ponds will be 4" or 6" HDPE pipe (or equivalent) that will be placed to prevent low spots that might freeze and block the system during the winter months. If freezing does occur one or more of several alternative methods will be utilized to prevent continued re-occurrence: 1) Heat tape can be installed on the pipe in the dewatering system, 2) water in the system can be heated in tanks before it reached the piping system ensuring it will not freeze, and 3) the entire piping system can be buried below the frost depth of the soils. Elkhorn Goldfields staff will determine the best option to utilize based on site-specific conditions. Freezing of the water dispersal system will not be allowed to continue without one or more of these options being applied.

3(l) The Ground and Surface Water Monitoring Programs to be Implemented and a Contingency Plan Addressing Accidental Discharges to Ground or Surface Water.

Water monitoring will be undertaken to ensure operations are not negatively impacting surrounding waters as defined by the Montana Water Quality act.

The sampling program is divided into two parts, 1) monitoring of neighboring surface and groundwater sites to ensure no discharges exceeding parameters for water quality are seen in the surrounding surface and groundwater, and 2) monitoring water quality of groundwater being re-introduced into the regional groundwater system.

Monitoring of adjacent water resources

Appendix 4 is the ***Baseline Water Resources Sampling and Analysis Plan*** for the area surrounding the mine disturbances. This sampling extends the more significant set of baseline data collected from from1989 to 1995 collected by Sante Fe Pacific and reported in ***Comprehensive Report For The Water Monitoring Program 1989-1995*** (Appendix 12) compiled by Maxim technologies in March 1996. This report has been provided to the MDEQ and should be on file.

Regional sampling during operations will mirror those outline in the ***Baseline Water Resources Sampling and Analysis Plan*** added to this document as Appendix 4. During the start-up of mine dewatering, sample locations, constituents, and detection limits will continue as discussed in the baseline plan. Frequency for both surface and groundwater sites will be increased to semi-monthly for the first three months of pumping, monthly thereafter for the first year, and then return to the frequency stipulated in the baseline plan.

Monitoring quality of re-introduced groundwater

During dewatering operations, regular samples of water from the treatment system will be taken at a location between the treatment system and the distribution system. To start, sampling will be analyzed for the complete parameter list as seen in Appendix 5. Subsequent samples will only be analyzed for those elements that are identified from the initial sampling to be of concern,

most likely arsenic and nitrates. Periodically samples will continue to be analyzed for the complete parameter list to ensure over time other constituents do not rise to the level of concern.

It is expected that water will be pumped to the separate percolation ponds in rotation to ensure no one area will be over-saturated and develop springs or overland flow. The amount that each pond can percolate over how long a time period will be judged by the percolation rate at each location and physical conditions such as depth to bedrock and topography which might cause springs or overland flow to develop. Regular visual checks will need to be made to ensure no new springs are developing down-gradient from the percolation ponds. Records will be kept of when and how much each percolation pond is used, and results of the visual checks.

If a spring does develop, the spring area will immediately be tested if the spring is the result of percolation. Use of the pit will be discontinued to see if the spring responds.

Schedule of water sampling of discharge water for start-up of water pumping and treatment and through mining are listed in Table 5 below.

Table 5: Water Sampling Table

Time frame	Complete parameter list	Elements of concern list	Visual check down-gradient of percolation ponds
Start-up through week one	1 on first day, one on day 7	One each day	Once each day
Week two through eight	One each month	One each week	Once each week
Beyond week eight	One each quarter	One each week	Once each month

Additional Monitoring Sites

Three additional monitoring items will be added to the suite in addition to the monitoring mentioned in the previous sections. First, flumes will be located both upstream and downstream of the mine in Greyback Gulch and will be used to gather quarterly flow and water quality data. Secondly, an additional monitoring well will be installed and screened at or below the perennial water table during dewatering. This new monitoring well will be located between the mine and the Greyback Gulch stream. This new well will be installed only if Observation Well 3 is deemed inadequate to function in this capacity by the MDEQ. Lastly, mine employees will conduct spring and seep inspections down gradient of all the percolation ponds and will collect quarterly flow and water quality data if springs or seeps are discovered.

Reporting

Elkhorn Goldfields Inc. will provide to the MDEQ a report compiling all operational water quality monitoring data on the following schedule:

- Start of pumping through week eight: Weekly reports submitted no later than the second business day after completion of the week.

- Week eight to week 52: Monthly reports submitted no later than the fifth business day of the following month.

- Beyond week 52: Quarterly reports submitted no later than fifth business day of the following quarter.

3(m) A Fire Protection Plan.

The underground portion of the mine and surface infrastructure will have a fire prevention and response plan in accordance to MSHA, which includes, fire suppression, fire extinguishers and on site water trucks. This plan is attached as Appendix 9. Open flames will not be allowed on the mine site during high fire dangers posted by the U.S. Forest Service for the Elkhorn Mountain District. A burn permit will be received before any open burning occurs on the mine site.

3(n) A Toxic Spill Contingency Plan With Certification That Notice of Filing of the Plan Has Been Provided to the State Fire Marshal:

A copy of this plan is attached as Appendix 10.

3(o) The Sewage Treatment Facilities and Sold Waste Disposal Sites.

Sewage Treatment

Sewage and gray water from the office/dry area is to be stored in a holding tank on the property and pumped out utilizing commercial septic service. As work progresses and employment increases Elkhorn Goldfields Inc. may establish a regular septic leach system near the Saddle area. This septic leach system will be installed by a licensed contractor with appropriate permits. All laws and regulations per the MDEQ and Jefferson County will be followed. In order to monitor the water quality, a monitoring well will be installed 500 feet down gradient from the edge of the leach field. Quarterly water quality data per direction of the MDEQ will be collected from this well to ensure all applicable laws and regulations are being followed. In the event that the water quality in this well does not meet standards set forth by law, Elkhorn Goldfields, Inc. will install appropriate treatment equipment to treat the sewage before discharge. The exact location of this well is yet to be determined but will be located only upon MDEQ approval.

Solid Waste Disposal

Solid waste disposal will be contained placed in covered trashcans located throughout the mine site. Mine personnel will empty the trashcans into enclosed dumpsters located at the saddle facility on a regular basis. A local contractor will hired to empty these dumpsters on a regular basis and haul the solid waste to a certified landfill.

Items such as batteries, lights, used oils, old computers and screens, and anything that can not report to a standard landfill will be separated from all other trash and stored separately in a contained satellite collection area. These materials will be collected by an approved hazardous waste handling company on a regular basis for recycling or proper disposal.

3(p) Power Needs and Sources, Including Fuel Storage Sites.

Power

Power will be required at three different locations at the mine site. These locations include the Core-Shed Area, the Saddle Area and the Portal Patio Area. During exploration, diesel generated power will be used at the site for mine operations while the Core-Shed Area will continue to use line power that is already in place. The consumption rate at the core shed is minimal, enough to run electric heat, computers and lighting. Also during exploration, an upgraded power system and line power will be delivered to all areas as well as the town of Elkhorn by Northwestern Energy. This line power will be sufficient to power all necessities at the mine. In addition to the line power, a small 250-500 KW diesel generator will remain on site for emergencies. This generator will power evacuation and communication systems when line power is not available, and will allow water to be pumped and treated. The backup generator will be located in the Office/Shop structure in the Saddle Facilities Area (Map 3).

Fuel Storage

The surface fuel station and fueling area will be constructed as part of the office/shop building and will reside on the associated 60’ X 180’ concrete pad. This fuel area will be sloped towards the building for containment purposes. The cement containment sump, 5.5’ X 10’ X 60’ will be large enough to contain 110% of the fuel tank capacities.

The sump will be located around the fuel storage tanks and will be monitored visually. This holding area will be pumped and/or cleaned out after any large spill occurs or on an as needed basis as the sump becomes loaded. The material pumped from the system will be disposed of in accordance to all local, state and federal regulations or used on the mine property as an energy source. A cover will be placed over the fuel station to prevent storm water from entering the containment system. The surrounding ground will have a gradual slope away from the fuel station along with berms and/or ditches to prevent storm water access into the area.

3(q) Anticipated Employment Including Direct and Onsite Contract Employees.

Operations Phase-Elkhorn Goldfields, Inc. Employees

Mine Site:

- Drilling–
  2 employees per shift, two shifts per day, seven days per week (4 crews).

- Development/Production/Maintenance –
  11 employees per shift, two shifts per day, seven days per week (4 crews).

- Construction –
  2 employees per shift, two shifts per day, four days per week (2 crews).

- Facilities/Maintenance –
  2 employees per shift, one shift per day, five days per week (1 crew).

- Staff –
  Exempt – 12 employees per shift, one shift per day, five days per week.

- Ore Processing/Tailings Disposal -
  Will be handled by process facility owner at mill location.

- Total Anticipated Direct Employment -
  70 employees

In addition, we will be hiring a full time trucking contractor for hauling ore to Montana Tunnels mill site. These employees will spend their work day traveling between the Loadout Area and Montana Tunnels. Other temporary contractors will be onsite intermittently as needed.

3(r) Transportation Network to be Used During the Construction and Operation Phases, Including a List of the Type and Amount Traffic at Mine or Mill Capacity.

Elkhorn Goldfields, Inc. is instituting a plan to transport miners to the mine from a location in the valley to the mine site in light vans or SUV's. This plan is being enacted to reduce traffic on the county road to Elkhorn and increase safety for both mine employees and other road users. On occasion, contract equipment such as graders, track hoes and dozers will be on the mine site for surface maintenance of roadways, stockpile locations, the portal patio and parking lots.

Find attached to this document a Road Use Agreement (Appendix 8) with Jefferson County. The plan envisions using up to (9) 30-ton Over-The-Road trucks each running 5 trips per day (Figure 6).

3(s) Predicted Noise Levels by Activities During Construction and Operations.

In 1993 a baseline sound investigation was performed by Hydrometrics Inc., for the Elkhorn Goldfields project. It was determined that mining processes had a decibel reading on the A scale (dBA) level suitable for an area in and around the town site of Elkhorn. On October 5, 1993 at 2:00 p.m. in the town of Elkhorn with mining activity at the core shed, core drilling activity at East Butte and historic structure renovation (Bobcat running) a 10 minute average dBA of 48.4 was measured at site #2. This same day at 12:08 p.m. during moments of peak drilling activity at the East Butte site (monitoring site #10 and area of proposed truck loading facility) with measurements taken 50 feet away from the drill, sound events for a 10 minute time period averaged 76.2 dBA.

On October 11, 1993 at monitoring site #2, with no apparent mining activity but with building renovation at Elkhorn, the 10 minute averaged sound level was 34.7 dBA. At this same date,

monitoring site #6 near Queens Gulch, registered a 10 minute averaged reading of 47.7 dBA due to creek running and rain.

On October 25, 1993 at the monitoring site #2 in Elkhorn, at 6:30 a.m. (considered nighttime) a 10 minute averaged reading of 32.1 dBA was recorded. During this same day at 6:50 a.m. a 10 minute averaged reading of 39.2 dBA was recorded at site #8 with most noise due to hunter traffic.

The majority of sound generated from the proposed mining activity will come from the Saddle Facilities Area (approximately 4000 feet northwest of the town site), the truck loading facility (approximately 1400 feet northwest of the town site) and over-the-road truck traffic moving along the south boundary of the town site of Elkhorn. The mine portals are north of the Saddle Area located over a prominent ridge and face away from the town site of Elkhorn.

Decibel levels may initially be at the higher end of the range due to start up construction, near surface blasting events at the portals and truck travel through the area to the mine. Sound levels generated by the operation will decrease as the mine develops underground. Most sound will then come from the loading of haul trucks and the trucks passing through the town of Elkhorn. Sound levels predicted for operations at the Elkhorn Goldfields project are within tolerable levels for the town site of Elkhorn. Average sound levels in the 40-50 dBA range are below averaged day/night protective levels for "wooded residential" settings of 52 dBA and "old urban residential area" settings of 59 dBA.

Noise will be generated from mine equipment, generators and mine fans, all of which will be kept on the mine site. Noise will be heard in the town of Elkhorn during construction from earth moving equipment but will be below threshold limits of 85 dB. Therefore, 85 dB will be the maximum allowed limit in the town of Elkhorn for any noises created by Elkhorn Goldfields Inc. Four separate noise level sampling events will be conducted in the town of Elkhorn before mining begins. As an ongoing program, noise levels will be measured once per month during mining. Construction work will be kept to daylight hours only. Mining will be conducted 24 hours per day, 7 days per week. Possible mining noises heard in the town of Elkhorn will be from a fleet of 6 mine haul trucks, a front end loader and 9 over the road trucks. Noise will be kept to a minimum at all times to prevent disturbance of neighbors. Use of engine decompression (jake) brakes will be controlled by speed limits for equipment leaving the property.

3(t) Protective Measures for Archaeological and Historical Values in the Areas to be Mined.

Historical areas of concern will remain in place during the mine life and will not be disturbed. No archaeological sites have been found to date on the mine sites private grounds. Upon discovery of any archaeological items, all activities in the area of the archaeological items will stop until reviewed by the proper departments with the State of Montana.

3(u) Protective Measures Designed to Avoid Foreseeable Situations of Unnecessary Damage to Flora and Fauna in or Adjacent Areas.

Disturbance will be limited to areas necessary for mining operations as designated on Map 1. Elkhorn Goldfields, Inc. will build a barrier fence around the active areas to mark the areas which are not to be disturbed. Employees will be instructed in annual training to avoid unnecessary damage to flora and fauna.

4.0 RECLAMATION PLAN

4(a) Land Disturbed by Development or Mining Activities Must Be Reclaimed for One or More Specified Uses.

The disturbed land will be reclaimed as private forest lands as existed before industrial activities had commenced.

(4a.i) Current Use(s) of Area to be Disturbed.

The patented mining claims that comprise the property package have been most consistently utilized for mineral exploration since the 1980's. The lands have also been used for timber production (logging) and unsanctioned livestock grazing. The area also acts as wildlife habitat.

(4a.ii) Current and Proposed Uses of Nearby Land that by its Proximity to Influence or Guide the Choice of Reclamation Use.

Private lands near the site include the town site of Elkhorn which is used as residences, and other patented mining claims which are used for mineral exploration, recreational cabin sites. Much of the land surrounding the project area is public lands administered by the Deerlodge National Forest.

(4a.iii) Pertinent Climatic, Topographical, Soil, Water and Wildlife Data.

The following reports refer to studies completed in the past and currently planned. These reports are included in the appendices.

- Sept. 1994, Waters of the US and Wetlands Santa Fe Pacific Gold Elkhorn Project Jefferson County Montana Environmental Baseline report Hydrometrics, Inc.
- March 1996, Comprehensive Report for the Water Resources Monitoring Program 1989-1995 Elkhorn Project, Montana Santa Fe Pacific Corporation, Maxim Technologies
- January 1994, Draft Report - Baseline Soil Investigation, Elkhorn Project, Jefferson County Montana, Hydrometrics, Inc
- February 1993, Interim Report, Baseline Vegetation Inventory, Elkhorn Project area, Jefferson County Montana, Western Technology and Engineering, Inc.
- Western Technology and Engineering, Inc., Proposed Plans of Study for Biological Resources, June 2006.

4(b) With Use of Cross-sections, Topographic Maps or Detailed Prose, the Proposed Topography of the Reclaimed Land Must be Adequately Described, the Applicant Must Submit Evidence to Assure the Department that Upon Partial or Complete Saturation with Water, Reclaimed Areas will be Stable.

See Map 10: Showing property after reclamation.
See Figure 9: Cross section of plugged & re-graded portal.
See Figure 10: Cross section of road remaining after reclamation.
See Figure 11: Cross-section of reclaimed development rock stockpile.

4(c) The Operator Must Establish Vegetative Cover Commensurate with Proposed Land Use Specified in the Reclamation Plan.

Table 6 below specifies the revegetation seed mix that will be utilized for reclamation.

Table 6: Reclamation Seed Mix (Broadcast Rate)

NAME	COMMON NAME	APPLICATION RATE
Agropyron spicatum	'Goldar' Bluebunch wheatgrass	9.3 lbs/acre
Festuca idahoensis	'Joseph' Idaho Fescue	2.9 lbs/acre
Agropyron trachycaulum	'Pryor' or 'Revenue' slender wheatgrass	2.7 lbs/acre
Poa secunda	'Sherman' big bluegrass	0.5 lbs/acre
Lolium multiflorum	Annual ryegrass	1.9 lbs/acre
Medicago savtiva	'Ladak' or 'Similar' alfalfa	2.1 lbs/acres
TOTAL: PURE LIVE SEED		**19.4 LBS/ACRES**

Seed will either be applied with a rake to promote seed adherence, or, in areas not reachable by mechanical equipment, the seed will be covered with straw or tackifier to prevent the seed from blowing away.

4(d) Where Operations Result in a Need to Prevent Acid Drainage or Sedimentation, the Construction of Earth Dams or Other Devices to Control Water Drainage.

The primary design for the reclamation of rock stockpile includes: re-sloping the material, covering with a soil cap and re-vegetation of the soil as described in section 4m.

As a secondary contingency, a HDPE liner will be used in the case where the total of the ABA testing completed during stockpile construction indicates that the rock that is placed in the stockpile has a NNP of less than +20. The design of this HDPE liner cover will be approved by the MDEQ prior to installation and could include a three foot soil cover, rock, clay and other natural materials, and/or HDPE or other textile liners to prevent water from getting into the rock after reclamation.

4(e) All Water, Tailings or Spoil Impounding Structures Must be Equipped with Spillways or Devices That Will Protect Against Washouts During 100 year Flood.

A surge pond, as stated in section 3g, will contain a spillway to protect against washouts during a 100 year, 24 hour storm event. The design elements for the spillway are:

a. 100 year-24 hour event = 3.6" of rain in Elkhorn from an Isopuluvial Map
b. Maximum rainfall per 30%, 1st quartile Huff distribution chart over 2 hours is 1.332" in 10 minutes
c. Pond size = 150' X 50'
d. Total water to fall in pond (when pond is already full) = 2250 ft3 or 16,830 gallons
e. Spillway = 100' long with a slope of 5%, side slopes are 1:1, spillway is irregular-rough-earthen-plastic lined, 2 foot base, 15 inches deep trapezoidal shape, 1 foot of free board
f. Maximum rainfall per 10 minutes = 832.50 ft3
g. 10 minutes = 600 seconds
h. Q (as flow into pond) = 832.5/600 = 1.3875 cfs
i. Using $V = K/n * R_h^{2/3} * S_o^{1/2}$ and Q = A * V to find Q (out)

From the information provided, Q (into the spillway) is equal to 0.1894. This calculation leads to finding the area of the spillway, the wetted perimeter and the maximum depth of the channel. If the water is 3" or 0.25' deep, then the area is equal to 0.5625 ft2 and the wetted perimeter is equal to 2.707 feet. From this, Q (out of the spillway) is equal to 0.197 which is greater than Q (in) = 0.1894 so the spillway design works. (Map 4)

Sediment basins will also contain a spillway to allow for overflow. This spillway was designed using the same method for the surge pond. The spillway design for the sediment basins are 10' long with a 1% slope, 0.25' maximum water depth, side slopes are 1:1, spillway is irregular-rough-earthen-plastic lined, 1 foot base 15 inches deep trapezoidal shape with 1 foot of free board. This design implemented on the sediment basins will also suffice for a 100 year-24 hour storm event. (Map 8) For more detail concerning spillway calculations see Appendix 19.

4(f) Upon Abandonment, Water from the Development or Mining Activities Shall be Diverted or Treated in a Manner Designed to Control Siltation, or Water Pollution.

All ripping and re-grading operations will be constructed to ensure that storm water will not pond or stand.

4(g) All Operations Shall be Conducted so as to Avoid Range and Forest Fires.

See attached Fire prevention and Fire emergency plan (Appendix 9).

4(h) Proper Precautions Must be Taken to Assure that Exposed Cuts, Tailings, and Disposal Areas Will not be Subject to Wind Erosion.

No large areas of open ground are planned so wind erosion should not be a significant risk. All disturbed areas generated during construction of mining facilities will be re-seeded as part of a interim reclamation plan during the planned activities. At reclamation any re-graded areas will be re-seeded immediately and tackifiers or seed covers established to prevent wind from blowing seed or topsoil.

4(i) Applicant Shall Provide the Department with Detailed Information on Disposal of Mine Debris and Mine Tailings.

There will be no tailings left on the mine site.

All buildings, equipment parts supplies and demolition wastes will be removed from the site. Anything that cannot be sold, recycled, or otherwise re-used at a different location will be removed to an approved solid waste disposal site.

4(j) Reclamation of Stream Channels and Stream Banks Must be Flexible to Fit Each Stream Site.

No stream channels or stream banks will be relocated, there will be no reclamation needed for this section of the reclamation plan.

4(k) List of Maps of Intended Development or Mining Operations to Accompany Applications for Permit.

4(k.i) Outline of area to be disturbed in the first year of operation:

(Map 1) Nearly all of the facilities will be built within the first year of operations. The facilities associated with developing the North Ore zone (including the north ventilation portal, portal patio, and Dewatering well PW-5) may be delayed after the first year of operations. After production begins in earnest, no significant additional surface disturbance will be required

4(k.ii) Outline of areas where soil materials will be replaced:

See Maps 1, 3, 5.

(4k.iii) Outline of intended re-vegetation areas showing plant and seed densities and species chosen:

All areas requiring revegetation will be re-seeded utilizing the seed mix and application rates from Table 6 above.

(4k.iv) Location of structures, drainage features, etc., as may be necessary to prevent erosion on bare slopes, subsequent siltation or pollution to flowing streams or natural water bodies:

See Map 7, 7A, 7B.

4(l) Reclamation Shall be as Concurrent with Development or Mining Operations as Feasible. Re-vegetation Must be Accomplished in the First Appropriate Season.

Reclamation will commence within two years in areas after the completion of mining activities. Areas that can be reclaimed concurrently will be limited to unused percolation Ponds, unnecessary drill roads will be reclaimed concurrent with operations. Most mine facilities will be needed for the life of the operation.

4(m) All Facilities Constructed as Part of the Operating Permit Must be Reclaimed for the Approved Post Mine Land Use.

Portals

All portals will be backfilled to at least 25 feet with inert mined material; all portal steel sets will be removed. The portal area including the patio will be re-graded to match the surrounding contour, topsoil reapplied with drainage structures promoting run-off and impeding run-on (Figure 9).

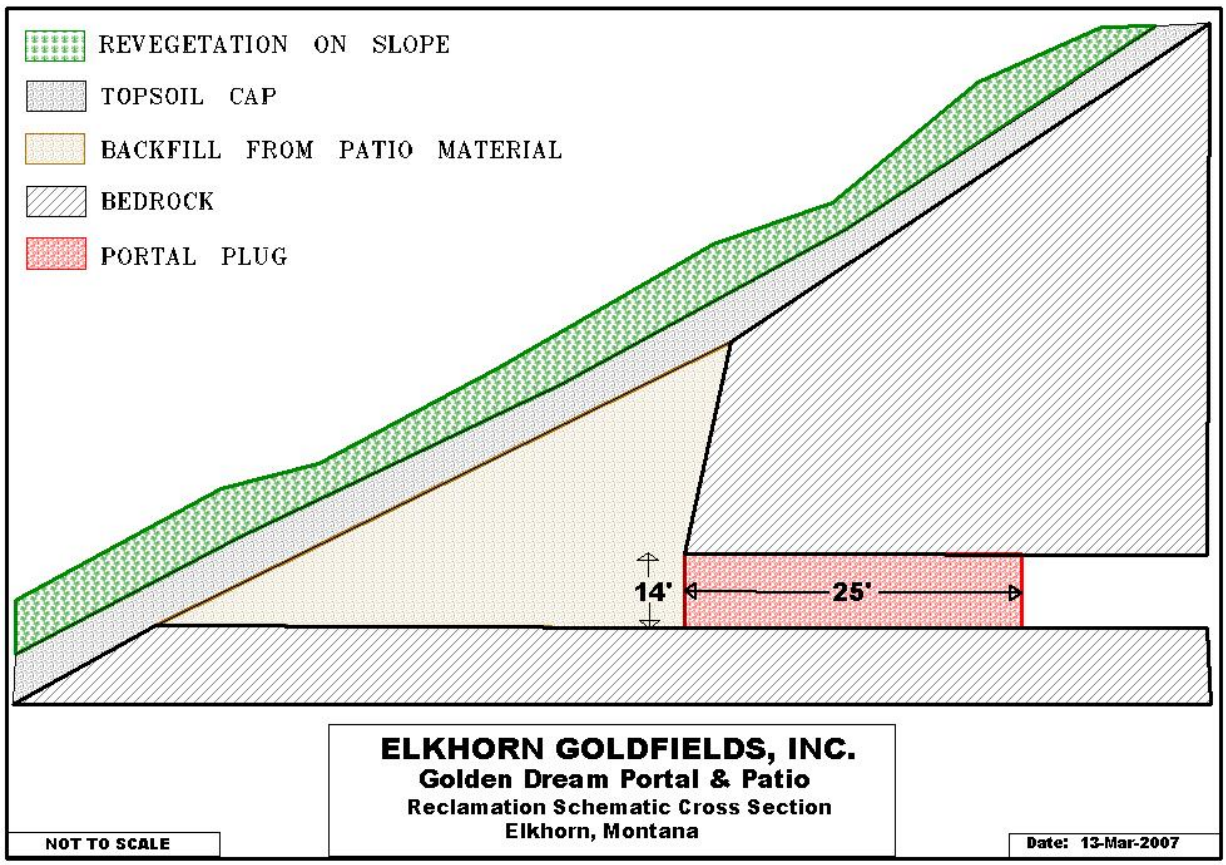

Figure 9: Portal and Patio Reclamation Cross Section.

Saddle Facilities Area

- All buildings, structures sheds and equipment will be removed from the site.
- The liner will be removed from the surge pond and the pond will be back-filled using the material excavated to create the pond.
- Concrete pads will be broken up and removed to the development rock stockpile or used as backfill in the portals.
- All compacted areas will be ripped to loosen soil material and the material re-graded as needed to establish drainage.
    - Stored topsoil or supplemental soil material will be placed in the site to a depth of 1 foot and drainage structures established to promote run-off and impede run-on. The area will be seeded and allowed to re-vegetate.

Truck Loading Area

All concrete will be broken up and buried in the development rock pile or placed as back-fill in the portals. All other structures and man-made materials will be removed, the site will be re-graded to an even contour, compacted areas will be ripped, and topsoil will be applied to a depth of 1 foot and revegetated.

Roads

The mine access roads from the county road to the Saddle Facilities Area and the one-way loop from the Saddle Facilities Area to the mine portals are to be left as primary property access roads. As such, mine access roads will be returned to ten foot running width by removing the safety berm and pulling back fill slopes and using the material to fill the cut slopes. These newly exposed surfaces will be ripped and seeded. Road surface drainage will be established and sediment control structures established (Figure 10).

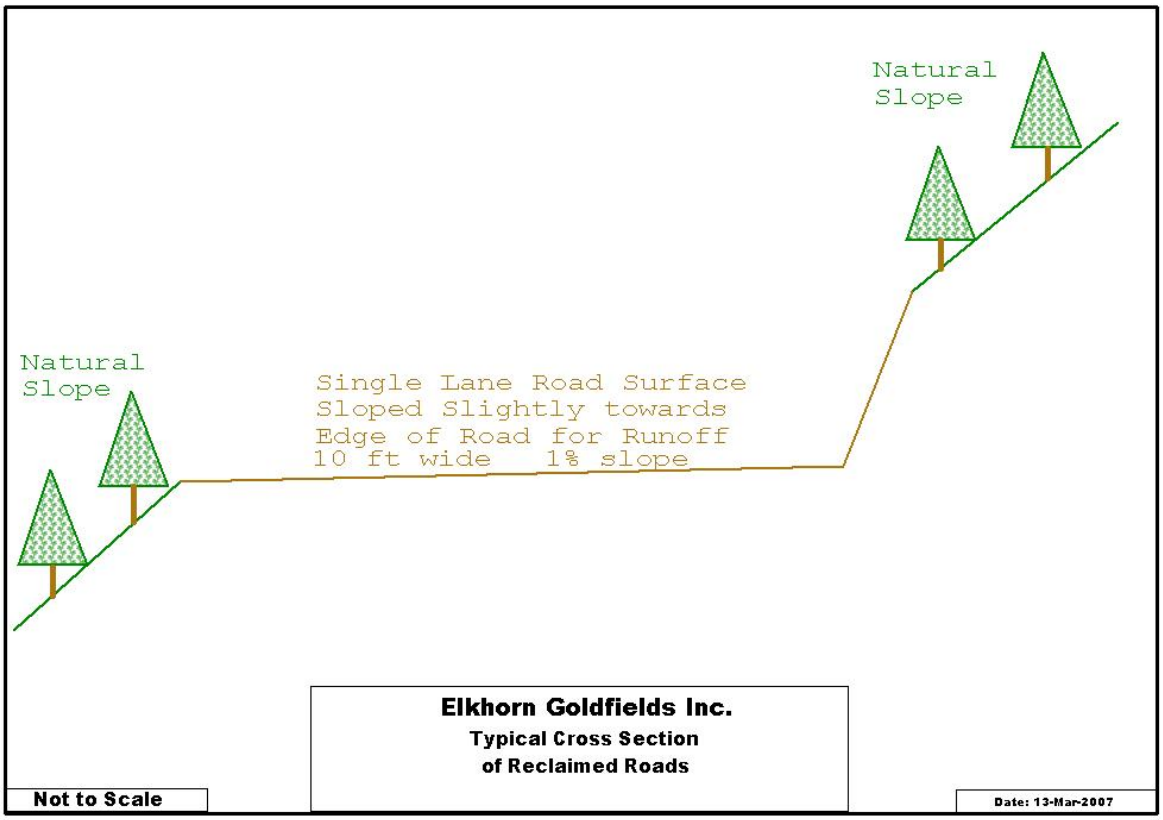

Figure 10: Reclaimed Road Cross Section.

Development rock stockpile

The Development Rock Stockpile will be graded to match the hillside as closely as possible. The top of the pile will be slightly back-sloped to prevent onflow of storm water. The rock pile will then be covered with a compacted subsoil layer 6 inches thick. Topsoil will then be placed to a thickness of 30 inches giving an overall cap of 3 feet. The topsoil cap will be rilled by

walking a tracked dozer, harrow rake, or similar implement to focus drainage off the pile without creating significant channels for water to collect, infiltrate or concentrate (Figure 11).

As a secondary contingency, a more water-repellant cover will be installed on the stockpile at reclamation as described in section 4d and 3i. The design of this cover will be approved by the MDEQ prior to installation and could include rock, clay and other natural materials, and/or HDPE or other textile liners to prevent water from getting into the rock pile after reclamation.

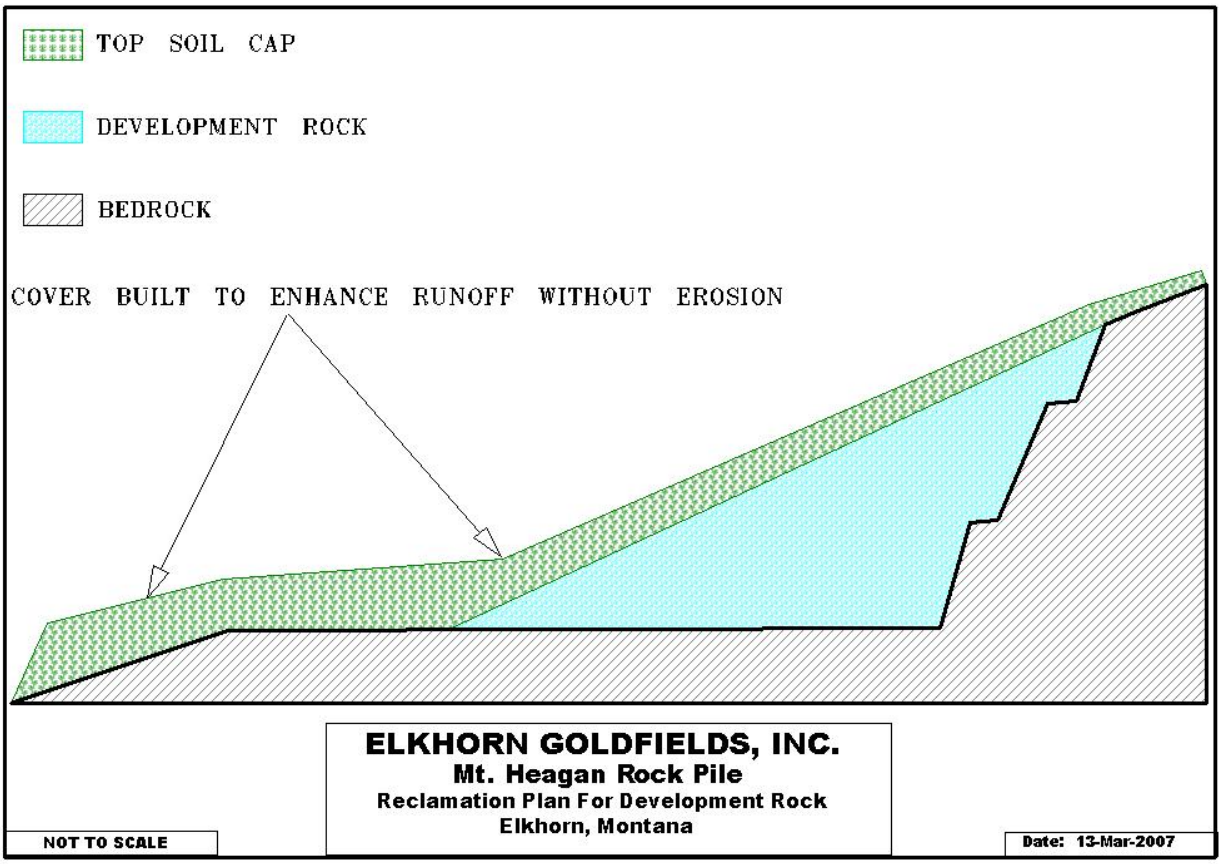

Figure 11: Mt.. Heagan Pit Backfill Reclaim Schematic.

Core Shed Area

All mining and exploration materials will be removed from the core shed, all core will be buried in the development rock stockpile or used as backfill in the portals. The empty core shed will remain as a storage shed for future property uses.

4(n) Provide for Post Mine Environmental Monitoring Programs and Contingency Plans for Reclaimed Areas.

Reclaimed areas will be evaluated two years after reclamation. If bare spots and areas of no vegetation are present, soil will be tested for fertility and if needed, fertilizer will be applied. Bare spots will then be reseeded.

Evaluations for excess erosion will be made annually, if excess erosion has occurred it will be repaired.

Surface and groundwater monitoring will continue as specified in the operation water quality monitoring plan for a period of two years after the completing of reclamation. If problems are found, Elkhorn Goldfields, Inc. will work with the agency to resolve the issues.

5.0 References

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6.0 List of Appendices

Appendix 1: Summary of Information Regarding Non-Ore Rock Geochemistry, Elkhorn Project, Exploration License #00617, Hydrometrics Inc., December 1, 2006.

Appendix 2: August 2005 Dewatering Test Results for Elkhorn Goldfields Sourdough Project, Exploration License #00617, Hydrometrics, Inc., October 2005.

Appendix 3: Preliminary Assessment of Water Treatment Options for the Elkhorn Goldfields Sourdough Project, Exploration License #00617, CDM, November 2005.

Appendix 4: Baseline Water Resources Sampling and Analysis Plan, Hydrometrics, Inc.

Appendix 5: July/August 2006 Dewatering Test Results for Elkhorn Goldfields, Golden Dream Project, Hydrometrics, Inc. October 2006.

Appendix 6: Storm Water Pollution Protection Plan (in progress, filed second submittal with state).

Appendix 7: Proposed Plans of Study for Biological Resources, WESTECH Environmental Services, Inc., June 2006

Appendix 8: Jefferson County Road Use Agreement

Appendix 9: Motor Vehicles and Fire Emergency Plan, Elkhorn Goldfields, Inc.

Appendix 10: Leaks, Spills or Releases, Elkhorn Goldfields, Inc.

Appendix 11: Proposal for Geochemical Baseline Evaluation, Golden Dream Project, Maxim Technologies, June 2006.

Appendix 12: Comprehensive Report for the Water Resources Monitoring Program 1989-1995, Maxim Technologies, Inc. March 1996.

Appendix 13: Baseline Soils Investigation, Santa Fe Pacific Gold, Elkhorn Project, Jefferson County, Montana, Hydrometrics, September 1994.

Appendix 14: Roads and Transportation - Baseline Investigation, Santa Fe Pacific Gold, Elkhorn Project, Jefferson County, Montana, Hydrometrics, September 1994.

Appendix 15: A Cultural Resources Inventory and Evaluation of Santa Fe Pacific Gold Elkhorn Exploration Area, Jefferson County, Montana, GCM Services, Inc. March 1996.

Appendix 16: Baseline Vegetation Inventory, Elkhorn Project Area, Jefferson County, Montana, Western Technology and Engineering, Inc., February 1993.

Appendix 17: Baseline Sound Investigation, Santa Fe Pacific Gold, Elkhorn Project, Jefferson County, Montana, Hydrometrics, September 1994.

Appendix 18: Waters of the US and Wetlands, Santa Fe Pacific Gold, Elkhorn Project, Jefferson County, Montana –Environmental Baseline Report, Hydrometrics and Western Technology and Engineering, Inc., September 1994.

Appendix 19: Spillway Surge Pond Design, Elkhorn Goldfields.